



# Fundraising and Diversification

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**11<sup>th</sup> Annual Public Private Partnership Conference**  
**August 25, 2011**

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# Philanthropy, Wealth and the Major Gift

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# Overview

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- Highlights of Development and Philanthropy
- Overview of Charitable Giving and Wealth in National Capital Region
- Discussion about the Major Gift and Overview of the Major Gift Cycle

# Why Philanthropy? .... and Why Development?

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# Why we rely on Philanthropy

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- Not-for-profit service provider
- Philanthropy provides the “margin of excellence”
- Our children and youth deserve the best. Philanthropy provides funding for:
  - vision/strategic plan
  - programs/services
  - facilities
  - special projects
  - recruitment of exceptional talent
  - other organizational priorities

# Development advances the vision

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- It is both an art & a science
- Builds a partnership between donors, Board members, other volunteers, and staff
- Establishes philanthropic priorities & goals
- Creates philanthropic opportunities
- Identifies donors
- Formulates strategy/implements tactics to engage donors
- Utilizes measurable results – contacts, gifts closed, proposals submitted

# Charitable Giving in the USA & Wealth in the National Capital Region

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# Charitable Giving in the USA

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- 89% of Households Give \*
- \$6.6 – 27.4 Trillion in Bequests (projected growth from 1998 – 2052)\*\*
- \$21.2 – 55.4 Trillion in Contributions (projected growth from 1998 – 2052)\*\*
- By 2055, \$41 Trillion in assets will pass to next generation\*\*

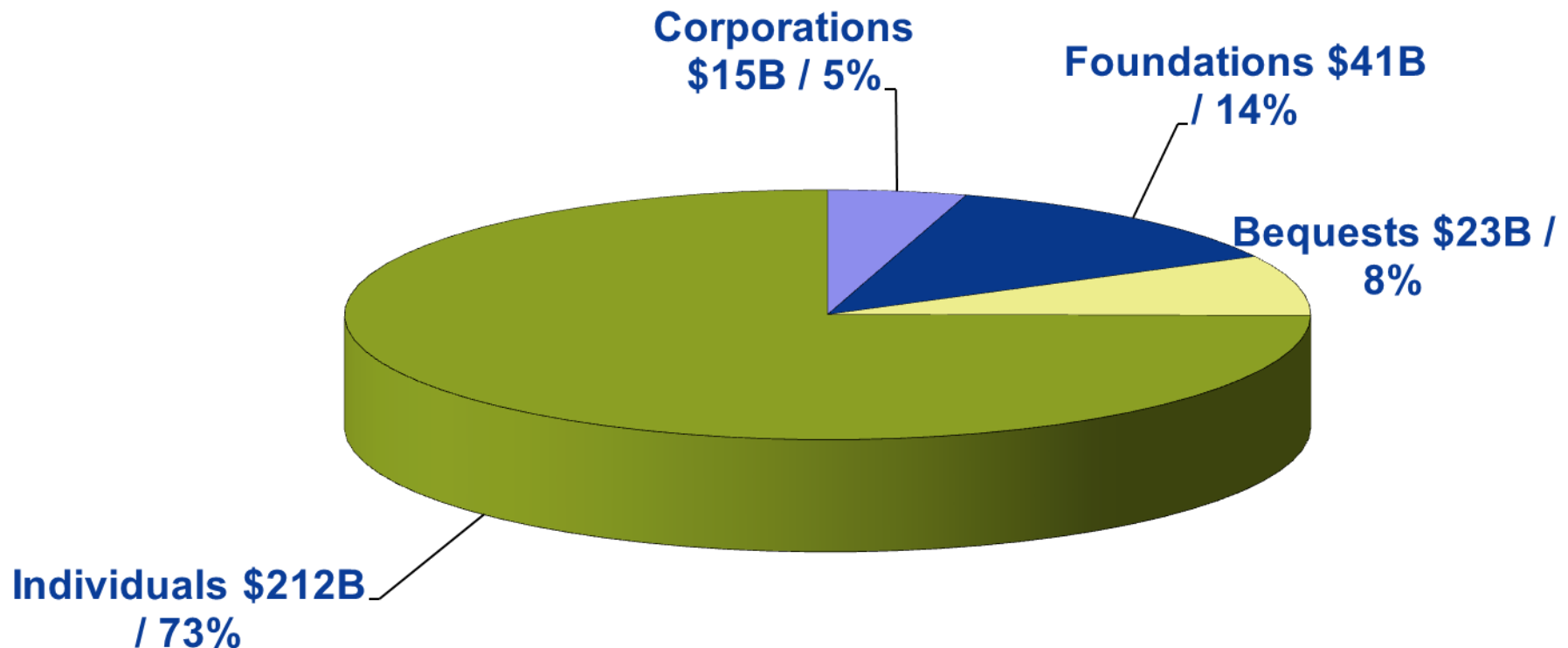
\* *Giving & Volunteering in the United States 2001*

\*\* *Center on Wealth and Philanthropy*



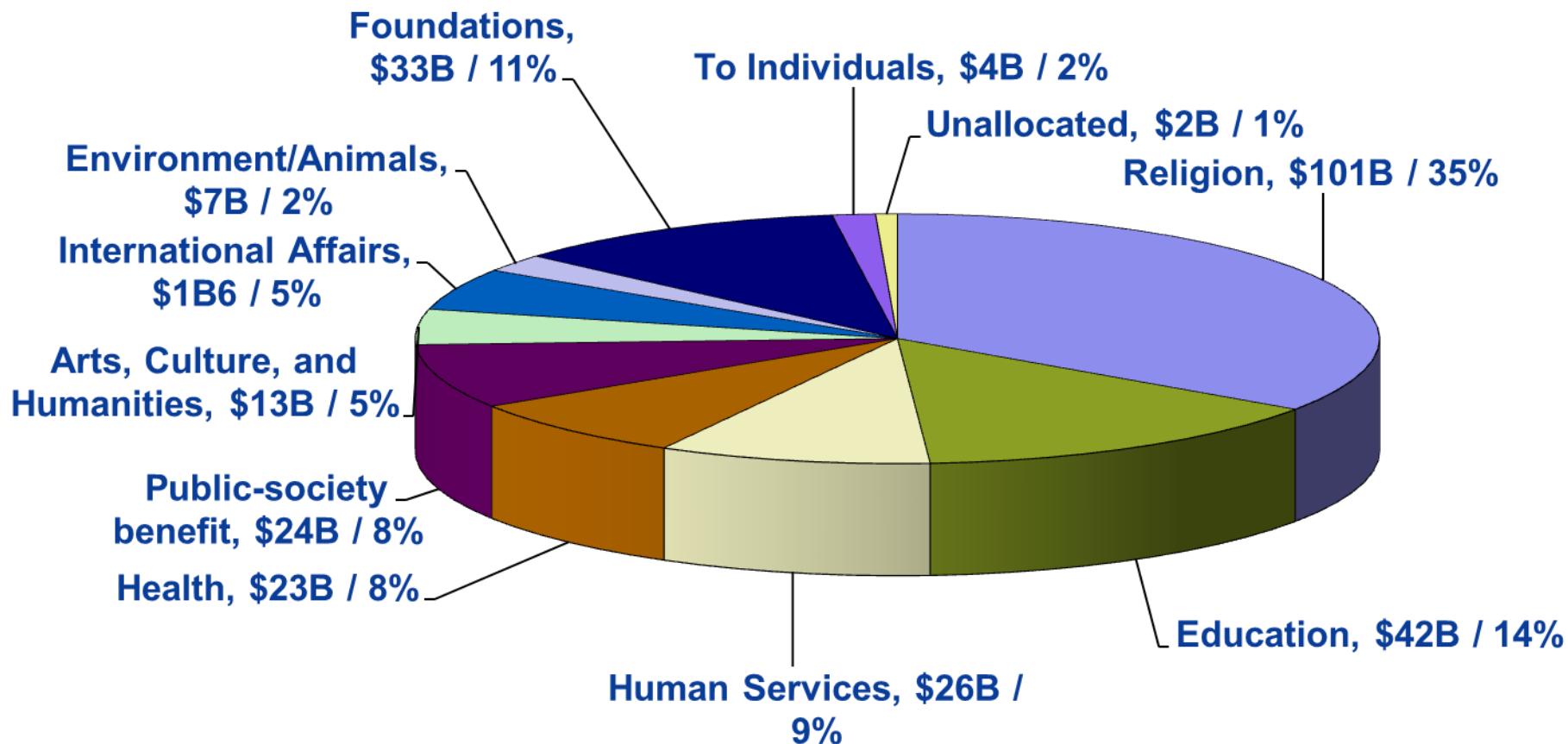
# 2010 Charitable Giving by Donor Type (Giving USA 2011)

**2010 Contributions = \$291 Billion**



# 2010 Recipients of Contributions Total \$291 Billion

(\$ in billions below - all figures are rounded)



# Wealth in Our Nation's Capital

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Wealth is highly concentrated in the Washington Area:

- There are currently 198,571 households with \$1 million or greater net worth in the Washington, D.C. area. This amounts to 10.3% of the 1.935 million area households, but they own 68.6% of the total wealth in the Washington area.
- \$1.7 trillion of the \$2.4 trillion (71%) total wealth transferred through 2055 will be from these households.
- \$530 billion (22%) of the wealth transferred will be from the 10,568 households with \$10 million or greater net worth. These households comprise only 0.6% of the area's households but they own 20.1% of the total wealth in the Washington area.
- Almost two-thirds of the area's final estates will be women.

Giving to charitable and other not-for-profit organizations in the Washington, DC area is expected to total approximately \$720 Billion over the next 50 years.

*..... if we do not ask, someone else will!!!*

# Major Gifts and the Major Gift Cycle

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# Major Gifts

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- The single most important function in a successful development program is the cultivation of major gifts
- Guidelines state that 80% of the money will come from 20% of the donors
- A proportionate share of development resources- staff, time and budget- should be allocated accordingly
- Major gifts are from individuals, foundations, or corporations
- On average, a major gift is closed after 9 meaningful contacts, or between 6 mos-2yrs

# What is a Major Gift?

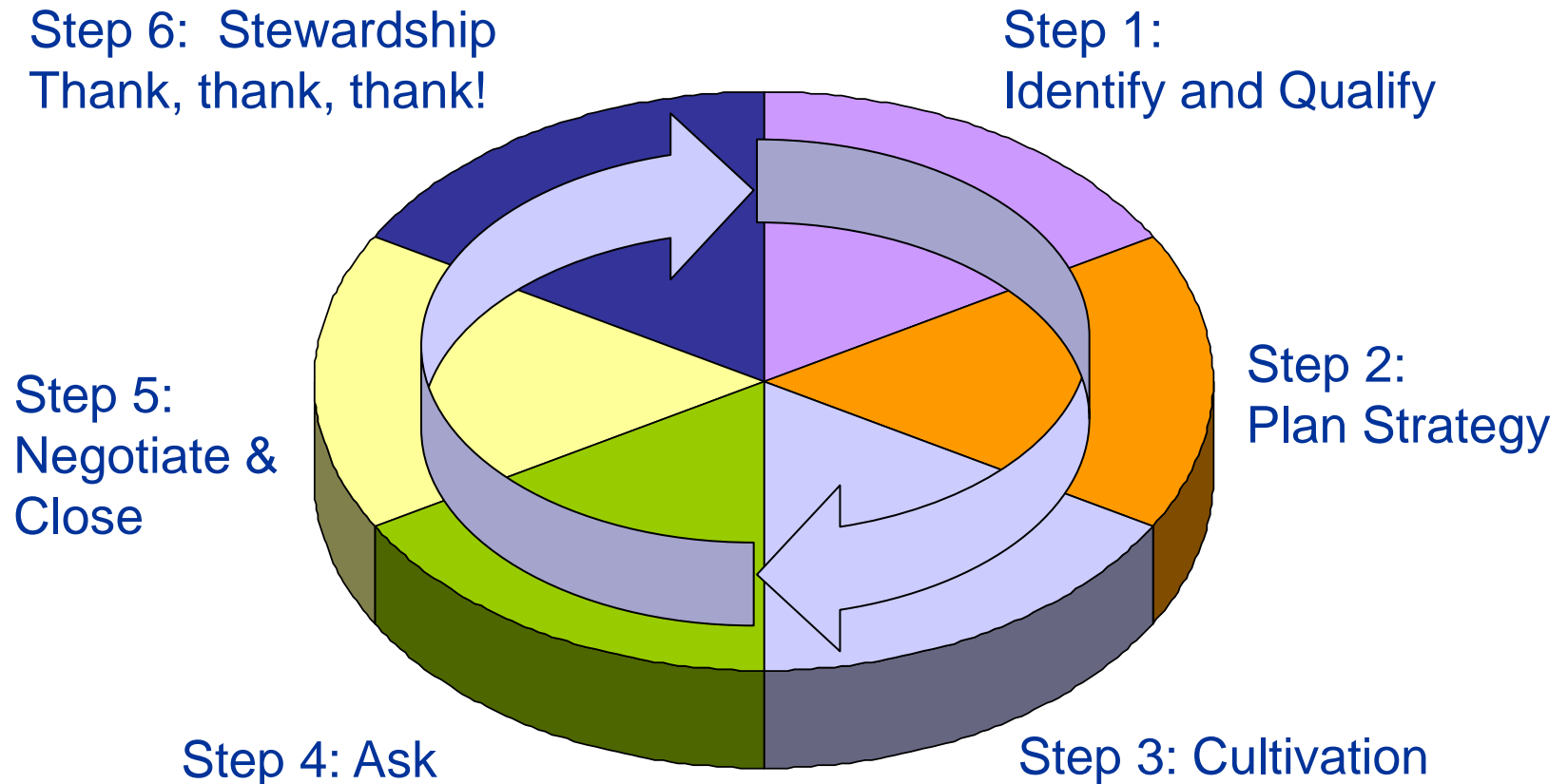
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- Amount determined by organization
- Pledges: 10-20x annual gift or 2-4% of net assets often repeated over time
- Relationship required
- Typically for targeted/restricted projects
- Critical to organization's long-term success

*\* \$0.10-\$0.20 cost per dollar raised for individual solicitations or return is \$0.90 to \$0.80 per dollar*

# Strategically Managing Prospects

## The Major Gifts Cycle





# Identifying and qualifying your Prospects

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- Contributors
- Board members
- Volunteers
- Contributors to other organizations
- People with assets and influence in your community
- Data screening service
- Constituents

# Cultivating your Prospects

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- Visits and meetings
- Phone Calls
- Letters
- Private tours
- Events such as lectures and receptions
- Publications, articles
- Contacts from Leadership, Board Members, etc.

# Stewardship

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The goal is to deepen donor commitment to and understanding of the mission

- Thank donors genuinely, promptly and often
- Recognize gifts in ways that are meaningful to the donor
- Use thanking and recognition to deepen the donor's connection
- Use the gift as the donor intended
- Inform the donor about how the money was spent
- Thank them again

*Regular updates and “touches” to current donors will help prime them for next ask.*



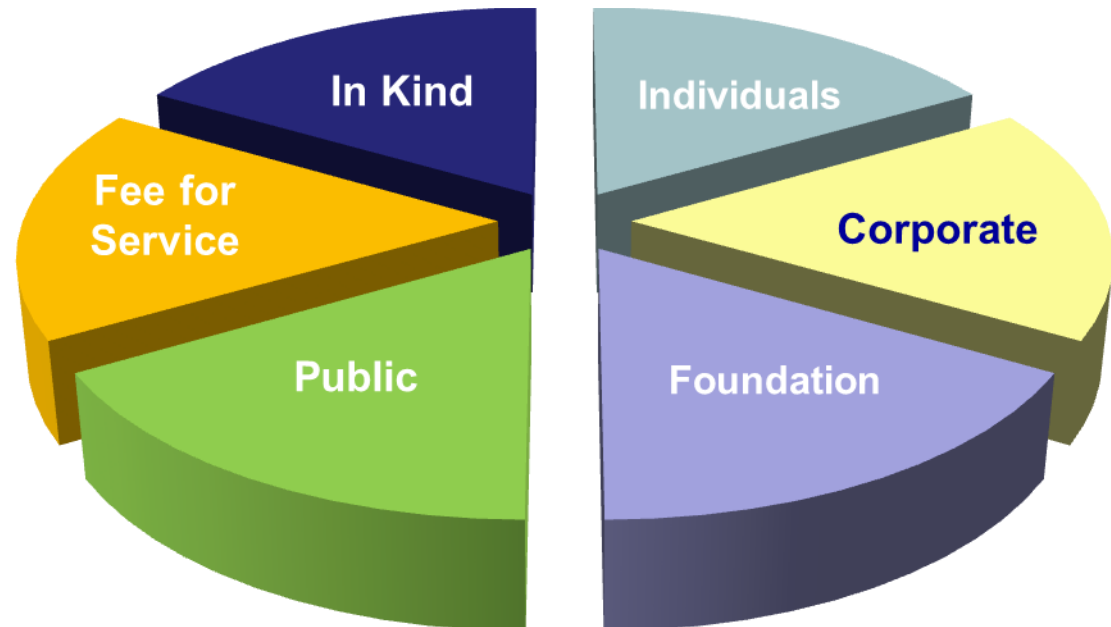
# Diversification of Funding and a Practical Approach

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# Diversification of Funds

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- What is meant by “Diversification of Funds”?
- Why is it relevant in today’s environment?
- What is the “magic formula”?
- Is diversification always the answer?



# Start with strategy

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- Where is the organization headed ... over the next 3–5 years?
- What are the current and projected market conditions?
- What are your strategic options and priorities?
- What are the near term and long term implications?



# Translate strategy to an operating plan

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- Define programmatic and non-programmatic implications to execute the strategy
- Develop organizational design
- Identify sequencing issues for optimal roll-out of the strategy
- Develop a multi-year financial plan
- Determine fundraising strategy to secure the resources needed

# Develop a compelling case for support

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- Clearly state what you do, why you do it and the resulting benefit to your constituents
- Demonstrate the value of your work and impact
- State the outcomes that you are looking to achieve – and what successes and challenges you face
- Exhibit demonstrated performance, leadership, fiscal accountability and stability
- Tell the story



# Secure the right talent to support the strategy

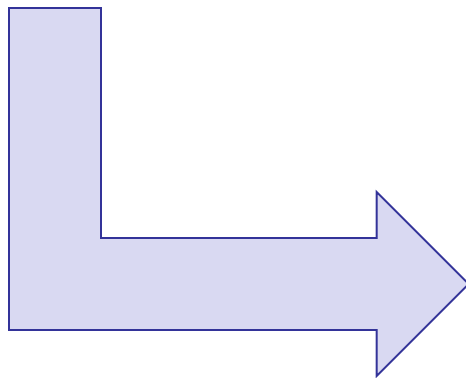
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- What are the core competencies needed to execute the strategy?
- Is outsourcing an option for a particular need?
- Don't forget the “not-so-obvious”

# Know what it costs to raise money

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- Staff costs?
- Consulting resources required?
- Events and stewardship?
- Reporting requirements?
- Compliance?



**What is the best investment  
in resources to maximize  
your return?**

# Know your number\$

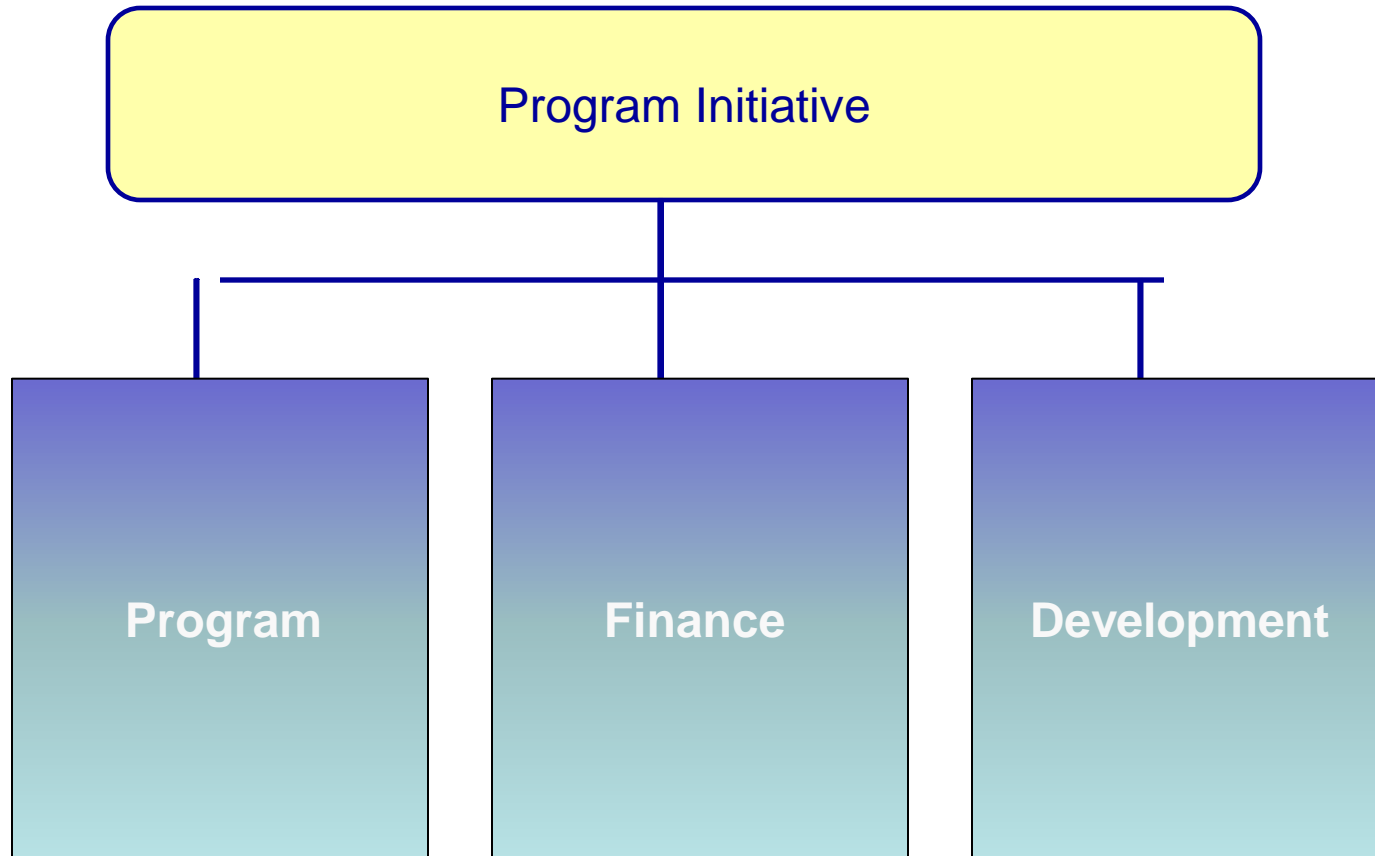
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		Program A	Program B	Program C	Consolidated
Revenues		\$ xxx	\$ xxx	\$ xxx	\$ xxx
Expenses					
	Direct	xx	xx	xx	xx
	Indirect	xx	xx	xx	xx
	Total	xx	xx	xx	Xx
Net Revenue/Gap		\$ (xxx)	\$ (xxx)	\$ xxx	--

Use financial information to inform your fundraising approach.

# Make informed decisions through a team approach

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# Avoid the “funds available” temptation

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- Stay the course with your fundraising strategy
- Adhere to your decision-making process to evaluate funding opportunities
- Test each new opportunity's fit with mission and organizational style/capacity
- Ask the hard questions

# Engage your board

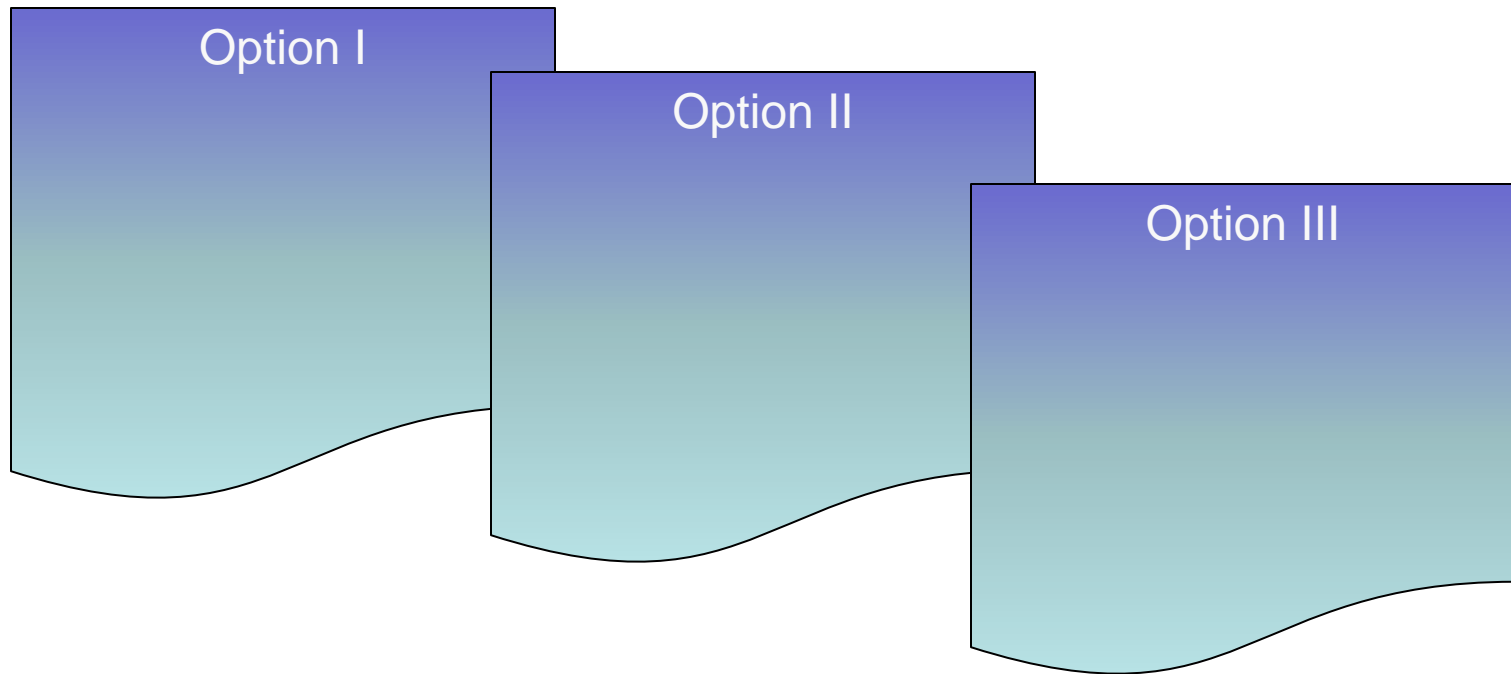
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- Recruit the right members to support the strategy
- Define clear expectations
- Give them the support they need
- Leverage their networks



# Adopt scenario planning practices

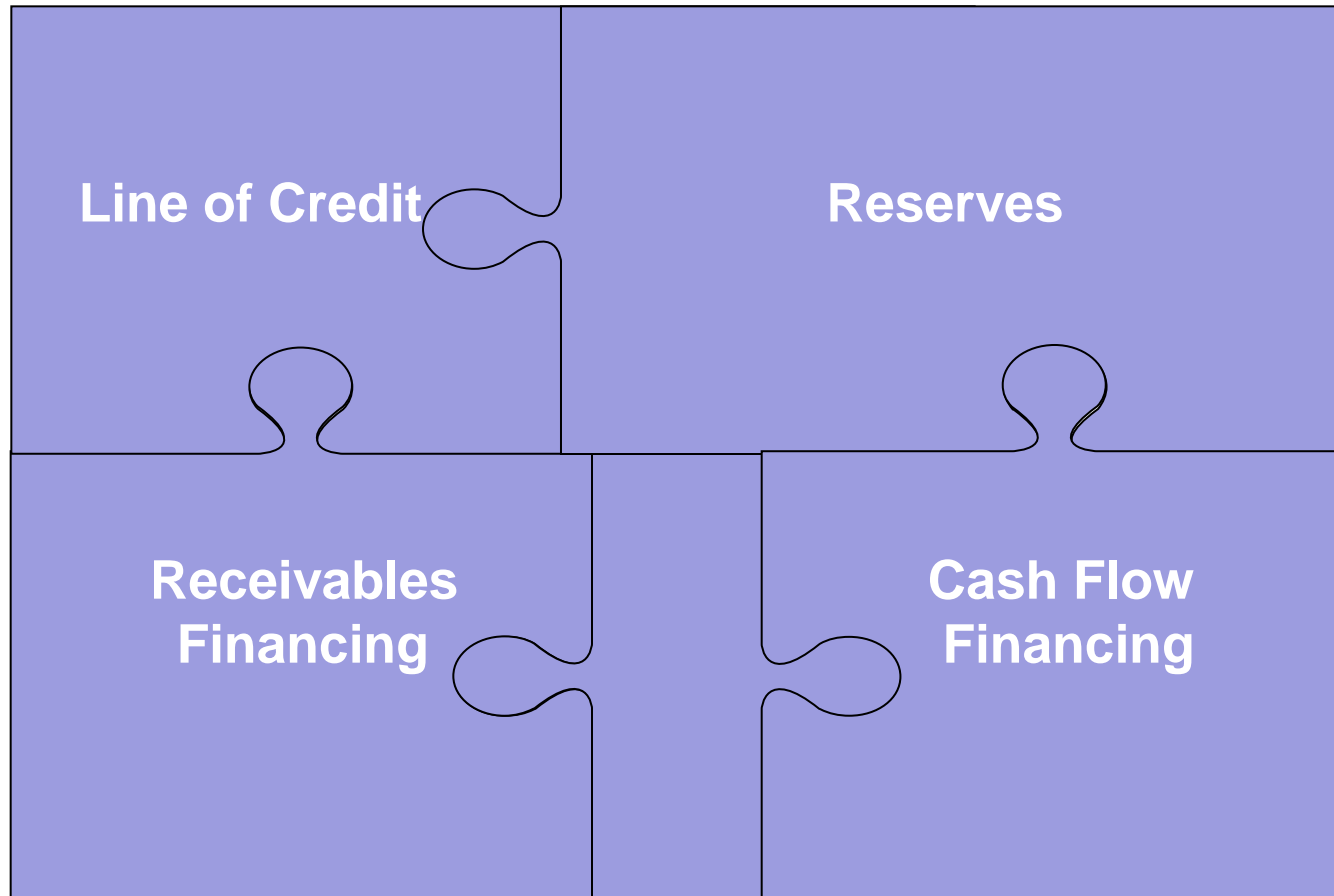
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*.... including alternate funding scenarios – and programmatic and organizational changes to be considered*

# Position your organization for tough times

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**Thank you**  
**Venture Philanthropy Partners**